The Consequences of Economic Globalization for Affluent Democracies

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Annu. Rev. Sociol. 2007. 33:313–34

First published online as a Review in Advance on April 4, 2007

The *Annual Review of Sociology* is online at http://soc.annualreviews.org

This article's doi: 10.1146/annurev.soc.33.040406.131636

0360-0572/07/0811-0313$20.00

Key Words

economic sociology, political sociology, the state, inequality, labor

Abstract

In recent decades, economic globalization has grown significantly in affluent democracies. Taking this as a point of departure, we review social science research on the consequences of economic globalization for the state, the economy, and civil society. We advocate for a concrete position of empirical scrutiny, between the grand theorists and earlier empirical skeptics, and measure economic globalization as the heightening of international trade and investment. Social scientists have engaged in lively debates surrounding such topics as how globalization affects the welfare state, politics, deindustrialization, inequality, and organized labor. Among the themes that emerge from these debates are the distinct values of within- and between-country comparisons and the need for a stronger connection between theoretical accounts of globalization and empirical analyses. At the same time, many aspects of social life have been neglected by recent research on globalization. Throughout, we gauge current consensus and dissensus, identify understudied topics, and suggest directions for future research.

INTRODUCTION

In the 1990s, when globalization burst onto the scene of the social sciences, there was a lively debate about whether it was actually occurring (Guillén 2001). By 2007, mounting evidence suggests that economic globalization has indeed increased, especially among the affluent democracies. Given the reality of economic globalization, a recent wave of scholarly research has turned toward globalization's consequences. To place this work in context, we begin our review by providing evidence of increased economic globalization among affluent democracies. We then discuss the conceptualization and measurement of globalization, before considering research on the consequences of economic globalization for the state, the economy, and civil society. Throughout, we gauge the current bases of consensus and dissensus in the literature and suggest directions for future research.

Since the 1960s, affluent democracies have experienced a substantial increase in economic globalization. International trade and investment have clearly grown across the affluent democracies of Western Europe, North America, Australia, and New Zealand. The only exception may be Japan (Gao 2001). **Figure 1** displays these trends in terms of trade openness (exports + imports as a percent of GDP) and what we term total globalization (trade openness + inward and outward direct and portfolio investment as a percent of GDP) (Brady et al. 2005) for 19 affluent democracies (IMF 2006).[1]

Panel A shows that trade openness grew from a mean of 43.8% of GDP in 1960 to a mean of 80.57% in 2000. Trade openness is somewhat cyclical as the mean tapered off to 74.25% in 2003. Also, this mean has been influenced by the extremely high levels of trade openness among West European countries. For example, Ireland's trade openness grew from 63.7% in 1960 to 182.2% in 2000 (and 151.9% in 2003) and Belgium's rose from 66.4% to 169.2%. Though far below West European levels, trade openness increased substantially in the United States from 9.6% in 1960 to 26.3% in 2000 (and 23.7% in 2003). By contrast, Japan rose from 20.6% in 1960 to 28.5% in 1981 before declining to 16.0% in 1993 and 22.0% in 2003.

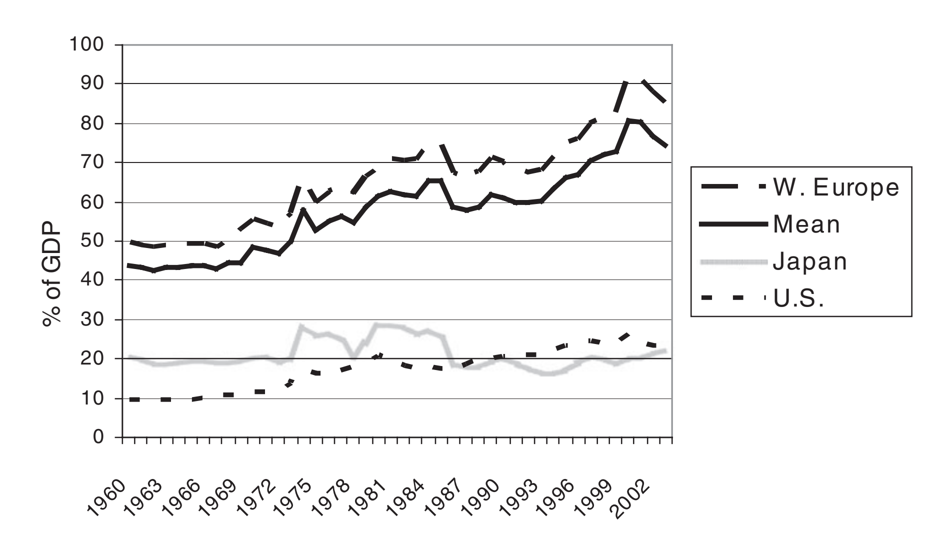
Panel B displays total globalization (investment + trade openness). Because volatile investment flows are included, this measure fluctuates more widely than trade openness.[2] Yet, since only 1975, total globalization also increased greatly. The mean total globalization rose from 53.4% of GDP in 1975 to a peak of 136.1% in 2000 before declining to 100.5% in 2003. This mean was driven partly by extremely high levels of investment flows in small West European countries like Belgium, the Netherlands, and Ireland. Western Europe rose from an average of 58.6% to 162.7% in 2000 (117.8% in 2003). Total globalization started lower and rose more slowly outside Western Europe. Nevertheless, the United States doubled from 18.2% in 1960 to 37.0% in 2000 (31.9% in 2003).[3] Japan rose from 25.3% in 1977 to

[1]Of course, there have been earlier waves of economic globalization, and the present wave of increased globalization probably began even before 1960. At least for affluent democracies, however, the present wave exceeds previous waves (Chase-Dunn et al. 2000). One caveat is that the globalization of affluent democracies reflects a great deal of regionalization among affluent democracies as well (Alderson 2004, Kim & Shin 2002). For this review, however, we follow the convention and use the term globalization to encompass all forms of international economic integration. See Beckfield (2006) and Duina (2006) on the distinction between regionalization and globalization.

[2]Because portfolio and direct investment data are unavailable for most countries before 1975, we start Panel B there. It is important to note that the mean has a different N at different time points because of missing investment data. Japan enters the series in 1977, New Zealand in 1989, Switzerland in 1983, and Ireland in 1990. However, the mean and trend are not significantly different if any combination of these countries is dropped.

[3]Within the United States, there are many interesting trends. Although the United States has had a trade deficit since 1975, net globalization (net investment + net trade)

Panel A. Trade Openness, 1960-2003



Panel B. Total Globalization, 1975-2003

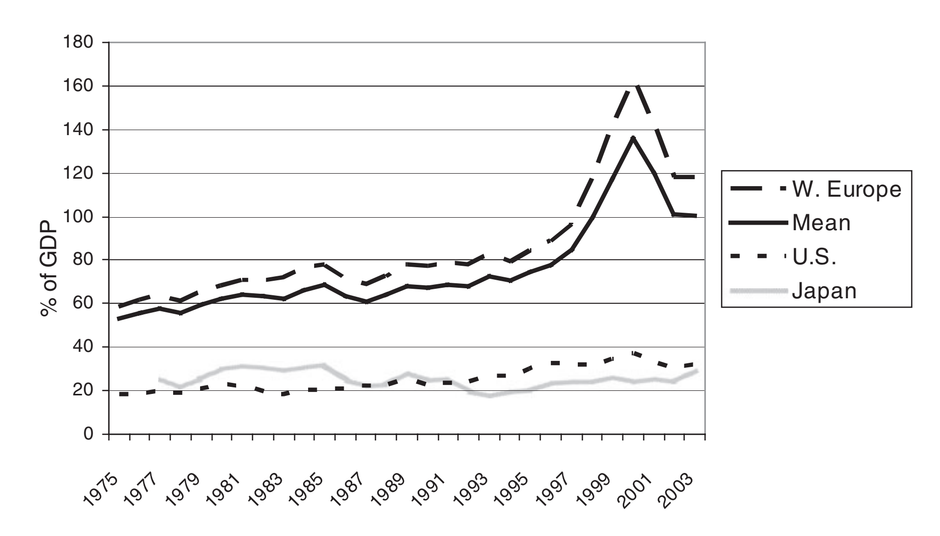


Figure 1

Trends in economic globalization in 19 affluent democracies.

31.5% in 1985, but declined to 17.6% in 1993, before rising to 28.8% in 2003.

Before turning to the review, we note our scope conditions within globalization studies.[4] We emphasize research that has appeared since 1999, mainly after other recent reviews were published (Guillén 2001, Ó Riain 2000, Berger 2000). We concentrate on

has been positive four times since 1989. Although there is great concern about direct investment outflows from the United States (e.g., to China or Mexico), direct investment inflows have been larger than outflows most years since 1981. Since 1994, portfolio investment inflows have been greater than outflows, and portfolio investment has been larger than direct investment most years since 1991.

[4]We further note that even though globalization of labor or people via immigration is a component of globalization, we mainly exclude that topic. Because of its distinct literature, immigration warrants stand-alone treatment. Second, we include economics, political science, and geography, but focus on the sociological literature.

the consequences for affluent democracies, as opposed to the globe generally, developing countries, or the causes of globalization. We do so partly because globalization studies have grown so rapidly that research on this focus constitutes a substantial literature on its own. Additionally, we offer four reasons for these scope conditions. First, international economic exchange still disproportionately occurs among the affluent democracies (Alderson 2004), and our review reflects this reality. Second, partly due to data availability, affluent democracies are overrepresented in globalization research, so our review naturally reflects this tendency. Third, although some developing countries appear to be narrowing the gap with the affluent democracies, there is still far more shared comparability among North America, Western Europe, Japan, and the Antipodes. The consequences of globalization for affluent democracies reflect a host of distinct commonalities that are often absent in developing countries (e.g., mature welfare states, deindustrialization, institutionalized parties, and electoral democracies).[5] Fourth, very few studies explore both the causes and consequences of globalization, so we concentrate only on the latter in this review.

CONCEPTUALIZATION AND MEASUREMENT

The concept of globalization has been deployed for wide-ranging purposes (Appadurai 1996, Guillén 2001, Sklair 2002). As Held et al. (1999, p. 27) state, "Few areas of social life escape the reach of processes of globalization. These processes are reflected in all social domains from the cultural through the economic, the political, the legal, the military and the environmental." Theoretical debate on the meaning and nature of this heightened globalization has sparked an industry on the ontology of globalization (Applebaum & Robinson 2005, Berberoglu 2005, Gereffi 2005, Held et al. 1999, Kellner 2002, Schaefer 2005, Sklair 2002). For example, Held et al. (1999) describe thick globalization characterized by high extensity, high intensity, high velocity, and high impact, whereas Sassen (2006) introduces the concept of denationalization. We make no claim to capture all dimensions of the diverse, broader globalization literature. It is beyond the scope of this review to examine cultural, political, and legal globalization, what Sklair (2002) calls generic globalization, the longer history of international economic integration that marked the rise of the modern capitalist system in the sixteenth century, or the impact of globalization on developing countries. Rather, we strictly concentrate on economic globalization in the latter half of the twentieth century in affluent democracies. We conceptualize economic globalization as international economic exchange and the flow of goods, services, people, information, and capital across national boundaries. We operationalize economic globalization as international trade and investment. Thus, when we refer to globalization henceforth, we are referring to this more specific phenomenon of economic globalization.

Whether globalization is actually occurring has been a source of great debate, and many skeptics contend that globalization's existence is overblown (Bairoch 2000, Campbell 2004, Fligstein 2001, Gilpin 2001, Held et al. 1999, Therborn 2000). The skepticism for globalization's existence cuts across the political spectrum. Indeed, among the most forceful critics of the novelty of globalization were radical political economists and Marxists (Gordon 1994, Sutcliffe & Glyn 1999). In

[5] We urge caution in drawing inferences for affluent democracies from samples that include both developed and developing countries. For example, in a compelling analysis of 71 countries, Polillo & Guillén (2005) emphasize that globalization, more than domestic politics, triggered central bank independence. However, based on reestimations of their models using their data (which they graciously shared with us), this conclusion is less clear when the sample is restricted to the 23 affluent democracies. Some globalization measures become insignificant, one measure significantly reduces central bank independence events, and domestic factors become more influential. Although International Monetary Fund (IMF) lending has a positive effect in the full sample, none of the affluent democracies received any IMF lending in this period.

the face of mounting evidence that increasing globalization is actually occurring in affluent democracies, one could criticize those skeptics. But a more appropriate reading would be to acknowledge that those skeptics were responding to the bold, ahistorical claims of some that a new global epoch was fundamentally erasing the relevance of the nation-state or national sovereignty.[6] In light of these grand theorists, the skeptics provided a warranted correction. However, the skeptics might have led some to conclude that globalization is not really increasing or that globalization is not something new. We advocate for a concrete position between the grand theorists and earlier empirical skeptics. We argue that increasing globalization is definitely occurring and is reaching levels not seen at least since the early twentieth century. But, as Sassen (2006) emphasizes, the nation-state remains relevant, and uneven claims of a sweeping "runaway world" (Giddens 2000) lack empirical support.

From this concrete position, we suggest it is better to avoid making globalization synonymous with a vague, totalizing new social order. In their popular book, Hardt & Negri (2001, p. 45) write, "Globalization . . . should be understood instead as a regime of the production of identity and difference, or really of homogenization and heterogenization." We find sociological critics of grand theorists like Hardt & Negri persuasive.[7] Moreover, we suggest it is not as productive to use the term globalization as a vague, unmeasurable buzzword for diverse and potentially disconnected social changes.[8] Sociological research will be far more productive if, instead, globalization is defined as something tangible and concretely measured and is clearly differentiated from other precise phenomena—e.g., neoliberalism, privatization, flexibility—and from broader theoretical constructs like modernity or capitalism.

Further, we suggest that globalization can be conceptualized as a multidimensional process of international network formation. The network metaphor clarifies the concept of globalization by highlighting both the nodes (e.g., people, organizations, and states) and the relations (e.g., trade, investment, organization membership, consumption, and migration) that are central to the globalization process. Thinking about globalization as multidimensional network formation helps differentiate the multiple levels of analysis inherent in the process: globalization involves the local,

[6]For example, Hardt & Negri (2001, p. xi) write, "We have witnessed an irresistible and irreversible globalization of economic and cultural exchanges. Along with the global market and global circuits of production has emerged a global order, a new logic and structure of rule . . . . It is certainly true that, in step with the processes of globalization, the sovereignty of nation-states, while still effective, has progressively declined. The primary factors of production and exchange—money, technology, people and goods—move with increasing ease across national boundaries; hence the nation-state has less and less power to regulate these flows and impose its authority over the economy."

[7]Arrighi (2003, p. 32) writes, "Most problems arise from Hardt and Negri's heavy reliance on metaphors and theories and systematic avoidance of empirical evidence. While many readers will undoubtedly be taken in by the erudition deployed throughout the book, more skeptical readers will be put off by statements of fact unbacked by empirical evidence or, worse still, easily falsifiable on the basis of widely available evidence." Tilly (2003, pp. 26–27) writes, "Michael Hardt and Antonio Negri orbit so far from the concrete realities of contemporary change that their readers see little but clouds, hazy seas and nothingness beyond . . . . They cast their arguments abstractly, in idiosyncratically defined terms, with few concrete illustrations of the social processes they have in mind . . . . Until we hear more about how Empire's causes produce their effects, it would be wise to retain a measure of scepticism."

[8]For example, Blossfeld et al. (2005) study how globalization alters life course transitions. But, their use of the term globalization is not well developed. For them, globalization encompasses (*a*) internationalization of markets; (*b*) intensified competition, deregulation, privatization, and liberalization; (*c*) spread of global networks and knowledge via new information and communication technologies; and (*d*) rising importance of markets. The first and third fit most definitions of globalization, but the second and fourth are quite different. More importantly, the chapters do not actually test the effect of globalization. Instead, they presume globalization manifests through increasing uncertainty—even though this is never really established. The authors do not actually measure globalization but measure proxies (e.g. part-time work, unemployment, manufacturing employment) that may or may not be linked to actual globalization. Hence, the volume is only loosely linked to globalization.

regional, national, and international levels of social life. Globalization becomes easiest to observe in terms of the actual relations and flows of people, capital, information, goods, and services (Alderson 2004). In this way, the effects of globalization can be distinguished from the process of globalization (Hargittai & Centeno 2001). Hence, our concrete position between the grand theorists and earlier skeptics requires empirical evidence and scrutiny of tangible international exchange.[9] Our review highlights the contributions of recent scholarship that exemplifies this concrete position and offers new insights on globalization.

CONSEQUENCES FOR THE STATE

Early work considered whether globalization was triggering an irrelevance or disappearance of the state in general (Berger & Dore 1996, Evans 1997). More recent work has turned toward the more empirically tractable question of how globalization contributes to the emergence of transnational governance that supersedes national states and advocates for neoliberalism and further globalization (Chorev 2005, Robinson 2001, Sklair 2002). Yet, others contend that nation-states remain the paramount political actors (Gilpin 2001, Wolf 2004). For example, Wilensky (2002) stresses that domestic institutions remain a major source of striking cross-national differences. Despite these contributions, most recent scholarship is more concerned with debating globalization's effects on particular dimensions of the national state.

One of the richest debates about globalization regards its effects on the welfare state. Many studies claim that globalization has positive effects causing an expansion (Garrett 1998), negative effects causing a reduction (Huber & Stephens 2001), or a curvilinear effect on the welfare state (Hicks 1999). The positive effects account (the compensation thesis) holds that globalization produces volatility and uncertainty and that governments respond by expanding social policies to stabilize the economic security of their citizens and politically appease them. The negative effects view (the efficiency thesis) holds that globalization forces governments to retrench welfare programs in the name of competitiveness and austerity. The curvilinear effects account claims that globalization initially causes expansion and subsequently, at higher levels, causes retrenchment. Although sociologists tended to concentrate on the potential negative effects, the early consensus among political scientists was that globalization caused welfare state expansion, especially in small, highly globalized countries like Belgium or Sweden (Cameron 1978, Katzenstein 1985, Rieger & Leibfried 2003, Rodrik 1998). This debate triggered a large volume of research, including a few strikingly bold accounts of state decline that were noticeably detached from empirical analyses (Hardt & Negri 2001). Others are more balanced, expecting altered welfare politics under globalization and weakening constituencies and parties supporting welfare states (Beland 2005, Kitschelt et al. 1999, Sassoon 1996).

After more than a decade of scrutiny, there is an emerging consensus. At most, globalization has small effects on welfare state transfers, expenditures, generosity, or welfare effort (Burgoon 2001, Castles 2004, Kittel & Winner 2005, Wilensky 2002). Brady et al. (2005) examine both linear and nonlinear effects of a wide variety of globalization measures for several dimensions of the welfare state and conclude that "[g]lobalization does not have one overall effect on the welfare state, and what effects it has are most certainly relatively small" (p. 945). Others contend that distinct aspects of globalization contributed to retrenchment in some specific dimensions

[9]This evidence on heightening tangible international exchange is now beginning to be collected and disseminated to the research community by such projects as the International Networks Archive, housed at Princeton University. The archive can be accessed at **http://www.princeton.edu/~ina/**.

of the welfare state (Garret & Mitchell 2001). Also, some suggest globalization matters, but in a complex, conditional sense or in certain welfare state or production regimes (Burgoon 2001, Gaston & Nelson 2004, Hall & Soskice 2001, Hicks & Zorn 2005, Swank 2002). Yet, Brady et al. (2005) find little support for these claims as well. Overall, the pattern in the literature appears to be that globalization is probably not the dominant influence on welfare states and plausibly has less influence than established political forces.

Most contemporary welfare state scholars do not dispute that increasing globalization has occurred, but analysts note that the welfare state has probably not experienced the dramatic decline or expansion as expected. Although nuanced measures like decommodification show at least some constrained growth since the 1980s (Korpi & Palme 2003), most dimensions of the welfare state continue to grow because of aging populations, constituencies of beneficiaries, and political inertia in this era of heightened globalization (Iversen 2001). Hence, globalization does not appear to have clearly large negative or positive effects. This broad conclusion is significant because it challenges the earlier theoretical literature on all sides.

Future research on the welfare state may be productive in two directions. First, a recent debate has asked whether globalization might trigger changes in government taxation (Helminen 2001, McLure 2001). Partly, this literature emerged as a result of earlier research indicating a lack of significant globalization effects for welfare spending (Steinmo 2002, Swank 2002, Swank & Steinmo 2002). Some are skeptical that globalization will alter taxation. Campbell (2004, p. 141) writes, "In sum, analyses of tax levels in the advanced capitalist countries provide no support for the notion that globalization is causing states to change their tax laws in ways that result in convergence on lower tax burdens." Dreher (2005) concludes that increased globalization in OECD countries actually led to higher taxation on capital and had no effect on labor or consumption taxation. Others argue that globalization pushed states toward a neoliberal combination of reduced taxation and monetarism. Fourcade-Gourinchas & Babb (2002, p. 569) write, "In all cases, acute balance of payments crises demonstrated to local actors the impossibility of pursuing a nationalist economic policy in isolation from the broader international environment." Although it is not clear that globalization causes substantial declines of overall taxes, business taxes, or tax progressivity (Campbell 2004, Garrett & Mitchell 2001), it remains debatable whether globalization will influence precise dimensions of fiscal governance. One challenge for this area, however, is that there is little support for the argument that international finance actually punishes states that do not organize taxation in a business-friendly manner (Mosley 2003).

Second, globalization's effects on the welfare state might be better understood as a socially constructed discursive device that legitimates calls for efficiency and undermines calls for egalitarianism. That is, globalization may matter more within the political discourse surrounding welfare states (Campbell 2004, Fiss & Hirsch 2005, Fourcade-Gourinchas & Babb 2002, Therborn 2000). More research on how political actors filter globalization pressures and frame globalization claims would be a welcome addition. Such research may best be done with case studies or small-*N* comparisons with special attention to rhetoric and framing and to the evolution of social policy within welfare states, rather than aggregated comparisons between welfare states (Campbell 2004, Ryner 1999). Even though actual globalization has modest effects, it may still operate as a socially constructed discourse that facilitates welfare state change (Cox 2001, Schmidt 2002, Seeleib-Kaiser 2001).

Aspects of the state other than welfare have also been subject to globalization research. One area, especially vibrant among political scientists, is macroeconomic management (Gilpin 2001, Polillo & Guillén 2005). Bearce (2002) shows that international capital

mobility exerts pressure on state monetary policy, although the effects are conditioned by party government. Boix (2000) finds that the influence of political parties on macroeconomic policy is actually contingent on the degree of international financial liberalization and exchange rates. Although macroeconomic management has been influenced by globalization, most scholars caution against bold conclusions of international convergence or loss of state autonomy and monetary sovereignty (Boix 2000, Deeg & Lutz 2000). In one innovative study of Wall Street investment financiers, Mosley (2003) shows that the international finance field is not terribly efficient in monitoring, responding to, or punishing states for policies deemed financially irresponsible. So, even though globalization may influence macroeconomic management (Polillo & Guillén 2005), its influence should not be overstated (Wilensky 2002).

Beyond state capacity and formation, some scholars examine how globalization shifts domestic politics (Berger 2000, Kitschelt et al. 1999, Pierson 2001, Rieger & Leibfried 2003). One argument is that globalization causes a shift in the interests and mobilizing resources of various interest groups and contributes to the division or formation of political coalitions (Green-Pedersen 2003, Sassoon 1996). Garrett (1998) contends that globalization puts workers and families at greater risk and, in turn, elevates the political support for Leftist parties. By contrast, Swank & Betz (2003) claim that globalization elevates support for extreme right-wing parties, although this effect is dampened by a generous welfare state. Some of this research focuses on class actors, and we discuss the consequences for organized labor below.

Although national-level analyses are conventional, an intriguing literature explores globalization's consequences for the subnational state. Much of this work occurs in geography and urban studies (Brenner 1999, Jessop 2002). For example, several scholars debate the related concept of "glocalization"—the interpenetration of the global and the local, resulting in spatial reorganization of state regulation and unique outcomes in different geographic areas (Ritzer 2003, p. 193; Robertson 1995). Sites (2000) theorizes that the concept of primitive globalization (derived from Marx's primitive accumulation) can explain how subnational governments and localities facilitate and are transformed by globalization. Such primitive globalization leads to conflicts between subnational governments and actually elevates the role of the local state in managing capitalism.

Finally, recent research examines how globalization affects regulation (Beland 2005, Cioffi 2000, Clougherty 2001, Gotham 2006, Jessop 2002, Thatcher 2004). For example, Simmons & Elkins (2004) show how international competition contributed to a diffusion of neoliberal deregulation. In an analysis of 71 developing and developed countries, Henisz et al. (2005) argue that the network relations of trade cause institutional conformity in the liberalization, deregulation, and privatization of telecommunications and electricity. Rather than examining state formation like so many others, globalization scholars may find it productive to examine how the state regulates, enforces, and administers policy. Sassen (2006), for instance, encourages globalization scholars to differentiate among various state capacities and to appreciate how denationalization alters the organizing logics of states. Research in this direction need not be concerned solely with social policy or macroeconomics, but also might productively explore how globalization shapes a wide variety of regulatory functions. For example, Clougherty (2001) finds that globalization influences domestic airline competition policy, although a government's institutional commitment to antitrust policies mediates globalization's impact. If there is a link between globalization and crime, one could study how globalization shapes punishment, enforcement, policing, and incarceration (Schafer 2005). Globalization might influence these dimensions of the state, but there has been relatively less research in this area.

CONSEQUENCES FOR THE ECONOMY

One of the older debates surrounding the consequences of globalization concerns the decline of manufacturing employment. Since Harrison & Bluestone (1988) called attention to deindustrialization and the "Great U-turn" of increasing inequality and linked those trends to the globalization gambit, many have analyzed the influence of trade and investment for manufacturing employment. Some research supported the claim that the globalization of production was undertaken partly to replace domestic manufacturing and that the pursuit of less skilled labor in developing countries reduced manufacturing employment in affluent democracies (Rees & Hathcote 2004, Wood 1994, Yuasa 2001). Indeed, increasing globalization coincided with an unmistakable decline in manufacturing employment in all affluent democracies. Some argue that globalization results in an increase in the elasticity of domestic labor demand (Rauch & Trindade 2003). Alderson (1999, p. 718) shows that "[g]lobalization has played an important, independent role in the deindustrialization of advanced industrial countries."

Despite this evidence, many claim that globalization has at most a (relatively) small influence on manufacturing employment in affluent democracies. Several economists seek to debunk claims that globalization drives job loss or unemployment (Dewatripont et al. 1999). The level of globalization, especially for the United States, is considered too low to be the main cause of deindustrialization. Also, globalization has mainly involved trade and investment among affluent democracies, so the economic impact from developing countries such as Mexico or China is actually rather limited. Ultimately, technology, rising worker productivity, and economic development were found to be more influential than globalization in driving deindustrialization (Alderson 1999, Golub 1999, Rowthorn & Wells 1987, Wolf 2004). Responding to these studies, Brady & Denniston (2006) propose that there is a curvilinear relationship between globalization and manufacturing. Initially, globalization causes a growth of manufacturing employment through differentiation, which involves a specialization of industries and employment across countries. Subsequently, however, greater globalization causes deindustrialization. As economies move from moderately to highly globalized, saturation will undermine manufacturing because of competition between countries, mimetic isomorphism of firms relocating production, and the spatialization of production (Brady & Wallace 2000). Ultimately, both productivity gains and globalization appear to contribute to deindustrialization (Alderson 1999, Brady & Denniston 2006).

A related literature analyzes the influence of globalization on specific industries and corporate practices (Anderson et al. 2001, Cetina & Bruegger 2002, Cioffi 2000, Collins 2003, Gereffi 2005, Gotham 2006, Kwon 2004, Zhu 2004). This work provides convincing evidence that globalization is not a myth and is actually occurring. Sklair (1998), for example, interviewed members of global Californian firms to illustrate the uses and meanings of globalization in corporate vocabularies and practices. This literature examines a variety of unique industries and firm behaviors. For example, Bernard et al. (2003) show that although foreign markets remain a small part of most U.S. firms' revenues, globalization still predicts firm success. Kurdelbusch (2002) demonstrates that large companies in Germany increasingly implement variable pay schemes as a result of growing internationalization of product and capital markets. Some of this work draws inferences for the broad question of whether firm behaviors converge internationally or reflect national differences (Berger & Dore 1996, Hansen & Mitchell 2001). Others examine a specific country to see if globalization is altering a distinct tradition of capitalism or conventional firm practices (Ahmadjian & Robbins 2005, Hassel & Schulten 1998, Kogut & Walker 2001). Finally, a vibrant line of research details global

contracting and sourcing chains in selected industries with historical narrative and thick description (Gereffi et al. 2002, Rosen 2002). Despite much progress on these questions, there is no clear consensus on globalization's impact.

Taking the literature on firm practices a step further, some scholars investigate how globalization shapes workers' experiences, especially within multinational firms (Blair-Loy & Jacobs 2003, Brady & Wallace 2000, Gaston & Nelson 2004). For example, Scheve & Slaughter (2004) find that foreign direct investment (FDI) increased employee perceptions of insecurity in Britain in the 1990s. McKenna (2000) contends that globalization had a broadly negative impact on the experience of Australian workers during the Labor governments of 1983–1996. In an innovative covert ethnography, Graham (1995) illustrates the hegemonic, controlling, and anti-union managerial practices that existed under the superficially flexible work arrangements of a Japanese automotive plant in Indiana. Similarly, Collins (2003) demonstrates the existence of the paternalist system of labor relations in U.S. garment factories. According to Bonacich & Appelbaum (2000), sweatshops reemerged in the U.S. apparel industry at least partly because of the dramatic rise in offshore production and the concomitant increase in cheap imports. Even though sociologists have long studied worker experiences and attitudes, this part of the globalization literature is less developed than the literature on firm practices and corporate behavior. This is unfortunate, considering that sociological research is especially and uniquely well-suited to studying workers' lived experiences (Gille & Ó Riain 2002).

Urban scholars connect the study of globalization's consequences for the economy to the aforementioned concern with subnational localities. Perhaps the most prominent work on the subnational is the research on global cities (Sassen 2001) and world cities (Friedmann 1995), much of it conducted by the Globalization and World Cities (GaWC) study group and network (Taylor 2003, 2006; cf. Alderson & Beckfield 2004, Beckfield & Alderson 2006; research produced by the GaWC group can be accessed at **http://www.lboro.ac.uk/gawc**). Global cities such as New York, London, and Tokyo are where command and control of the global economy are centered. The key questions that animate this literature concern (*a*) the identification of rosters of global cities; (*b*) the form of the system into which cities are bound through multinational enterprises; (*c*) the ranking of cities within that global urban system; and (*d*) the consequences of this dimension of globalization for urban governance, form, and inequality (Alderson & Beckfield 2004, Castells 1996, Sassen 2001, Smith & Timberlake 2001, Taylor 2003).

The research on patterns of inequality between global cities reflects interest in globalization's consequences for economic inequality (Feenstra 2000, Golub 1999). Economists offer formal models showing that globalization contributes to the increasing skill premium, the significant decline in the blue-collar payroll share, and the increasing gap between nonproduction and production workers in U.S. industries (Bardhan & Howe 2001, Dasgupta & Osang 2002, Ethier 2005). Outsourcing is also singled out as an influence on increasing earnings inequality (Miller 2001). Sociologists tend to be even more critical of globalization, arguing that globalization undermines the position of labor and magnifies the power of managers and capitalists to search for cheaper wages (Brady & Wallace 2000). Alderson & Nielsen (2002) find that outward direct investment, manufacturing imports from developing countries, and immigration exert positive effects on income inequality. They conclude that globalization contributed to the Great U-turn of increased inequality that nearly all the affluent democracies have experienced since the 1970s. Reuveny & Li (2003) show FDI inflows increase inequality, whereas trade openness actually decreases it. Some

researchers show that the globalization of the U.S. economy has led to increased inequality and reduced worker earnings (Brady & Wallace 2000, Dasgupta & Osang 2002). By contrast, there has also been skepticism about whether globalization really explains inequality across affluent democracies. For example, Mahler (2004) provides evidence that globalization cannot explain the enormous variation in inequality across affluent democracies, and domestic politics remains crucial. This debate appears to be moving toward some consensus. Differences in inequality between nations or between varieties of capitalism tend to persist under heightened globalization (Hall & Soskice 2001), but globalization has probably contributed at least modestly to increased inequality within affluent democracies since the 1970s.

By contrast, far less work addresses how globalization affects gender inequality (Collins 2002, Pyle 2005, Walby 2002), and almost no work explores how globalization affects racial inequality (we were unable to locate a single article in identifiably sociological journals that analyzed how economic globalization affects racial stratification and inequality, but see Stewart 2004). Some contend that globalization worsens or reinforces gender inequality (Collins 2002). In a study of the financial sector, Blair-Loy & Jacobs (2003) conclude that globalization increases the pressure and pace of work and lengthens work hours, and this contributes to gender inequality. By contrast, others argue that although globalization appears to hurt less skilled, average, and especially male workers, globalization may reduce occupational segregation and occupational gender inequality (Meyer 2003). Black & Brainerd (2004) find that when a U.S. industry encounters greater international trade, it faces greater competition and loses market power. Following classic economic theories of discrimination, this competition reduces the likelihood of gender discrimination and increases the relative wages and employment of women in that industry. There is no clear consensus, however, and gender and racial inequality as outcomes of globalization warrant greater attention.

We have two suggestions for future research. First, this area exemplifies the concrete position between the grand theorists and earlier skeptics by empirically scrutinizing globalization claims. This work illustrates the benefits of distinguishing between globalization—as international trade and investment—and more general phenomena like neoliberalism and capitalism. Despite the clear merits of research in this area, sociologists stand to make a greater contribution. Much sociological theory on globalization has been influenced by Marxism (e.g., Berberoglu 2005, Robinson 2001, Sklair 2002). Although this body of theory provides a unique perspective compared with the conventional perspectives in economics and political science, it has tended to be somewhat disconnected from empirical analyses. For sociologists to take a step forward, it would be valuable to forge a greater connection between this sociological Marxism and empirical analyses. Second, one of the nuances highlighted by this area is the distinction between within- and between-country comparisons. For example, many of the most globalized countries have high levels of manufacturing employment and low levels of inequality. Nevertheless, as affluent democracies have increasingly globalized, manufacturing has declined and inequality has increased. So, it is essential to be precise about globalization's impact on the economies of affluent democracies. Globalization may not explain differences between countries at one point in time, but increasing globalization might matter more to changes within countries over the past few decades.

CONSEQUENCES FOR CIVIL SOCIETY

Compared with research on the state and the economy, comparatively less globalization research examines civil society, and this is the domain where research is most needed. Civil

society encompasses voluntary associations and organizations, consumption, residence and living arrangements, family, and other associated dimensions of society. With the exception of organized labor, most areas of inquiry have been only modestly investigated.

Much research, often linked to the deindustrialization literature, has debated whether globalization undermines labor unions (Harrison & Bluestone 1988). Although Katzenstein (1985) argued that the uncertainties and volatility of a highly globalized economy tended to cultivate labor market institutions like unions or corporatism, many now suggest that trade and international investment weaken the position of organized labor (Nissen 2002, Sassoon 1996, Wood 1994). Employers often globalize production to avoid high labor costs and less flexible work arrangements and explicitly to counter unionization (Alderson 2004). As Western (1997, p. 195) remarks, "The unity of nation-class organizations rooted in national institutions was outflanked by an emergent international institutional context." Perhaps equally important, managers and employers use the threat of globalization to extract concessions from and undermine organized labor and to prevent the organizing and recruitment of workers (Brady & Wallace 2000).

The empirical evidence linking globalization and deunionization, however, is mixed. Both cross-national comparisons (e.g., Brady 2007) and case studies (e.g., Hassel & Schulten 1998) fail to find an association between globalization and unionization. Scruggs & Lange (2002) find that globalization has, at most, marginal effects on union density in affluent democracies. Magnani & Prentice (2003) argue that the bulk of the decline in unionization in U.S. manufacturing cannot be explained by globalization, and Kay (2005) shows that globalization can actually foster transnational labor organizing. Consistent with Katzenstein's (1985) classic account, the small, highly globalized countries of Scandinavia remain far more highly unionized than less globalized countries like the United States (Ebbinghaus 2002). Nevertheless, some studies provide evidence of a connection between heightened globalization and declining unionization (Lee 2005, Piazza 2005). Brady & Wallace (2000) find that increased FDI has undermined union organizing and union density in the United States. Western (1997) finds that trade openness triggered union declines in the 1980s. Baldwin (2003) specifically argues that globalization undermines the unionization of unskilled workers. Hence, several scholars contend that globalization matters, but alongside (and maybe less than) domestic labor market institutions (Ebbinghaus 2002, Kitschelt et al. 1999, Thelen & Van Wijnbergen 2003, Wilensky 2002). Despite these contributions, the debate remains open, and some conclusions appear to depend on whether the comparison is cross-national or historical.

Parallel to the labor movement literature, globalization has been linked to social movements in general (Smith & Johnston 2002) and what Evans (2005) calls counterhegemonic globalization. Many of these studies focus more on emergent transnationalization or international communication and networks of social movements (e.g., Evans 2005, Nardi 1998), rather than on how economic globalization influences social movements per se. This area is just emerging, and much of the literature has only speculated about how political resistance to globalization might form (Chase-Dunn & Gills 2005).[10] Although Evans (2005) criticizes globalization scholars for neglecting resistance movements, a plausible defense is that those movements have only begun to emerge, whereas globalization has been ongoing for decades. Yet, there have been some interesting studies questioning how globalization triggers antiglobalization social movements (Ancelovici 2002),

[10]For example, there was a relative lack of sociological literature on globalization's impact on the environmental movement in affluent democracies, although there has been some work on how globalization is linked to the spread and diffusion of environmentalism globally (Frank et al. 2000).

transnational labor organizing (Kay 2005), or movements of corporate social responsibility like environmental and labor certifications (Bartley 2003). For instance, Smith (2004) finds that transnational social movements are more likely to be organized among countries that are regionally economically integrated. In a study of 144 countries, however, Smith & Wiest (2005) show that trade and FDI do not affect participation in transnational social movement organizations.

A limited literature on globalization examines changing culture and family practices regarding gender.[11] This literature has only begun to develop, but it examines how globalization affects gender institutions and how gender is constructed and practiced (Chow 2003). For example, in a special issue of *Gender and Society*, scholars offer global perspectives on gender and care work (Litt & Zimmerman 2003). Others examine how globalization contributes to new gender and class polarizations between the affluent in global cities and the international (typically female) laborers who provide services to them (Parrenas 2005, Sassen 1998). Particularly important as a class of transnational laborers are the women who work as nannies, as maids, and in other caring roles (Ehrenreich & Hochschild 2003). Wonders & Michalowski (2001) reveal how globalization fosters and shapes sex tourism and sex work. Giddens (2000) argues that globalization is transforming family relations and intimacy, but there has been a paucity of empirical support for his claims. By comparison, there is far more literature on family and gender dynamics in the immigration literature (Parrado & Flippen 2005). More research on family and gender in the context of globalization is warranted.

Research on globalization and consumption is advancing rapidly (Ritzer 2004). In an excellent, recent review, Zukin & Maguire (2004) discuss changing patterns of consumption and how the new consumer culture links to globalization. Given the vibrancy of contemporary economic sociology, and because economists tend to neglect consumption, sociologists of globalization should be able to make significant contributions. This is one area where theoretical accounts of globalization could be connected to empirical analyses, and where empirical researchers could provide theoretically salient work.

Despite these contributions, what is most striking is the shortage of research on a wider variety of aspects of civil society. Aside from the topics identified, there has not been as much work by sociologists in this domain. The literature on globalization and culture has tended to concentrate on cultural dimensions of globalization and has been led by cultural studies (e.g., Appadurai 1996). It has not focused as much on how economic globalization (measured as international trade and investment) affects culture (but see Zukin & Maguirre 2004). Given how often theoretical accounts of globalization discuss the cultural consequences of economic globalization, a greater connection between theory and empirical analyses would be productive.

CONCLUSION

Our review reveals substantial advances in understanding the consequences of globalization for affluent democracies. The rich, interdisciplinary literature demonstrates the complex, wide-reaching, and potentially profound impacts of increasing globalization. In this conclusion, we briefly revisit our central arguments and highlight areas for future research. We conclude our review with general points about our hopes for the trajectory of the field.

We argue that globalization is best understood as a tangible, empirical phenomenon. We define globalization as the heightening

[11] A search of *Sociological Abstracts* for globalization or trade in the journals *Demography*, *Population Studies*, and the *Journal of Marriage and Family* (1995–2006) yielded very few articles within the topical focus of this review. Searching based on globalization and family also yielded very few articles.

of international economic integration.[12] Defined in this way, globalization can be measured as the sum of exports, imports, and inward and outward (direct and portfolio) investment, which are themselves indicators of networked flows of goods and capital. This measure has shown a marked increase over the past several decades in affluent democracies. We argue against overly generalized, totalizing, and vague universal conceptualizations—against globalization as a buzzword encompassing everything from neoliberalism to modernity to capitalism—and advocate for a concrete, empirically based position between the grand theorists and earlier skeptics.

Research on the consequences of globalization for the state has generated an emerging consensus on the welfare state. Globalization may have a modest influence on the welfare state, but this effect is probably smaller than the impact of established political and social forces. Although globalization may not have powerful effects on the welfare state generally, we encourage studies of globalization and taxation systems and the discourses surrounding globalization. Besides the welfare state, productive scholarship examines national and subnational politics and policy. Finally, we suggest that more research is needed on state regulation.

Scholars have shown that globalization influences the economy as well. One of the more controversial debates surrounds manufacturing employment. Although many are skeptical of earlier deindustrialization accounts, Brady & Denniston (2006) offer a differentiation-saturation model and provide evidence that globalization has a curvilinear relationship with manufacturing employment. Other established lines of inquiry include studies of firm practices, corporate behavior, and specific industries. As well, sociologists have examined worker experiences on the shop floor of the global economy (e.g., Bonacich & Appelbaum 2000). We suggest that further research on workers' lived experiences under globalization would be beneficial.

Another emerging consensus is that globalization has some influence on economic inequality, although many scholars dispute that globalization matters as much as domestic political and social forces as a source of cross-national and historical variation. There has been considerably less work on gender inequality, although a few exemplary studies exist (e.g., Collins 2002). By contrast, almost no studies examine how globalization affects racial/ethnic inequality. We suggest sociology could advance by developing better connections between sociological Marxism, as well as Weberian theory (e.g., Ritzer 2004), and empirical research. Last, we note the need for a precise account of how globalization matters for the economy by emphasizing the distinction between within- and between-country comparisons.

The final area of our review, on civil society, is where the least research has been done. One exception is the debate about whether globalization undermines labor unions. Most of this research shows that globalization cannot really explain differences across affluent democracies, but that globalization has played some role in the decline of unionization that most affluent democracies have experienced. In tandem, there is a nascent literature on how globalization triggers antiglobalization movements and other social movements. Recently, a smaller literature on the cultural practice of gender in the family has emerged. Regarding civil society, we think sociologists can make significant contributions by investigating how globalization influences a wider variety of aspects of civil society, including the realm of consumption and culture.

In this era of increasing globalization, we encourage attention to the dynamics and interactions between different levels of the globalization process—in particular, the global

[12] We view the field as more urgently in need of concrete empirical scrutiny and greater dialogue between theory and empirical research rather than grand theorizing, and we refer the reader to the special issue of the *American Behavioral Scientist* on globalization (Hargittai & Centeno 2001) for work in this direction.

and international level and the state, regional, and local levels (Gereffi 2005). In some aspects of society, globalization does not appear to have a direct effect. Still, globalization, by shifting the contextual environment, may trigger changes in national institutions and indirectly affect social life. Over the past few decades, many affluent democracies have experienced historical changes as globalization has increased. Alternatively, striking cross-national differences in political and economic systems remain, so domestic institutions and politics may mediate any impact of globalization on labor relations, organizational practices, and market competition. Although globalization is changing affluent democracies, they still remain remarkably different from each other (Duina 2006, Wilensky 2002).

Given that multiple disciplines have contributed to understanding the effects of globalization, we see value in further dialogue and closer collaboration across the social sciences. Various disciplines study globalization from different perspectives with distinct premises and employ unique methods. For example, many economists develop formal models to examine macroeconomic and corporate performance, whereas many sociologists use ethnographic methods to investigate workers' experiences. Because each has different comparative advantages in the field of globalization research, cooperation among social scientists should provide a more comprehensive and clearer picture of globalization. Finally, we appreciate and encourage research on how economic globalization is or is not transforming developing countries. Although our review explicitly focuses on affluent democracies, of course, a separate, equally valuable, review could be written on developing countries.

Globalization scholarship is experiencing a wave of productivity. Sociologists, as part of a truly multidisciplinary community, are making salient contributions to the study of how and why globalization matters for affluent democracies. It has become clear that globalization is certainly occurring, at least among affluent democracies. We argue that globalization represents not just an idea, but also a tangible and measurable empirical phenomenon. Because there are many directions for aspiring globalization researchers to follow, and because there is no shortage of controversy in need of further conceptual and empirical scrutiny, globalization seems poised to remain on the sociological agenda.

ACKNOWLEDGMENTS

We are grateful to Ryan Denniston, Simone Polillo, and Mauro Guillén for assistance with data.

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